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SUBJECT: SEC WORKS WITH SWAZI CENTRAL BANK

¶1. SUMMARY: On March 17 - 19, two Security and Exchange Commission (SEC) officials, funded by USAID, participated in a regulatory workshop on Ponzi and pyramid schemes, sponsored by the IMF and hosted by the Central Bank of Swaziland (CBS). The conference convened working level bank officials from twelve African countries to discuss ways and means to fight Ponzi and pyramid schemes. SEC officials report that most attendees acknowledged the potential for Ponzi schemes in their countries and understood the ramifications of large scale Ponzi schemes. Attendees agreed that collective action against these schemes would be more effective than individual country efforts. END SUMMARY.

¶2. On March 17 - 19, Jane Jercho, SEC Associate Regional Director for Examinations, and Timothy Warren, SEC Associate Regional Director (Enforcement), participated in an IMF- sponsored regulatory workshop on Ponzi and pyramid schemes. SEC's participation was funded by USAID. Representatives from 12 African countries participated in the three day conference hosted by the Central Bank of Swaziland. SEC officials report participants exhibited a good knowledge base, high degree of professionalism, and actively participated in discussions. The conference covered the impact of Ponzi and pyramid schemes, legislative initiatives, effective remedies, and investigating and prosecuting techniques. Country representatives indicated significant hindrances to combating Ponzi and pyramid schemes are: difficulty in closing down Ponzi schemes while they are "successful"; scheme operators involving people who are politically connected, providing protection from possible future prosecution; inadequate regulatory framework; and difficulty in acquiring evidence to prosecute cases in cash societies. Workshop attendees noted South Africa's absence, complaining that scheme operators flee to South Africa and South Africa has not been responsive to the problem.

¶3. COMMENT: The workshop is a timely coincidence as the CBS is currently dealing with three alleged pyramid schemes. The CBS froze the bank accounts of all three organizations in late 2008. One of the alleged pyramid schemes is operated by Qhawe Mamba, co-owner of a local television channel and reported to have a close relationship with the royal family. As the economy worsens, the middle class, feeling the pinch of financially tough times and needing other ways to increase their income, plus those in rural areas who are perpetually short on cash and with few income-generating options, are targets.

¶4. Embassy Mbabane appreciates Embassy Pretoria and USAID Pretoria assistance in facilitating the SEC's participation in the workshop.

PARKER